



**LOUDOUN COUNTY BOARD OF SUPERVISORS**  
**POLICY GUIDELINES FOR CONSIDERATION of REQUESTS for**  
**EXEMPTIONS from LOCAL TAXATION**

**Section A. AUTHORITY**

Subsection 6(a)(6) of Article 10 of the Constitution of Virginia and VA. CODE §58.1-3651 authorize the governing body to provide exemption from taxation for the real or personal property, or both, owned by non-profit organizations which use the property for religious, charitable, patriotic, historical, benevolent, cultural or public park and playground purposes. An ordinance adopted by this Board, or any amendments enacted to applicable Virginia law after November 16, 2004, when the policies described below were revised and adopted, will supercede these policies.

**Section B. PURPOSE**

1. To provide an orderly and systematic process for the submission and review of requests for exemption from real and personal property taxation;
2. To enable the Board of Supervisors to be fully informed as to the financial impact of granting property tax exemptions, both individually and collectively;
3. To ensure that those entities to whom such exemptions may be granted are meeting a general public need for which the benefits derived by the community at-large exceed the County's loss in revenue from taxes on the entity's real and personal property; and
4. To ensure that requests for exemption are afforded equitable consideration.

**Section C. APPLICATION PROCEDURES**

1. A non-profit organization seeking exemption from taxation for its real or personal property, or both, must file an application with the County Administrator. The form of the application may be prescribed by the County Administrator or his designee.
2. Exemptions will be effective as of January 1<sup>st</sup> of the year following the Board's approval.
3. To be effective as of January 1<sup>st</sup> of a given year, applications for exemption must be filed not later than April 1<sup>st</sup> of the preceding year. The foregoing filing deadline shall apply to applications filed for exemptions to be effective as of January 1, 2006.
4. The County Administrator shall designate representatives to serve as the Staff Exemption Review Panel as he may deem appropriate. The Review Panel will apply a 3-step process to evaluate all applications:
  - a. Step 1: Determine qualification for further review using the criteria listed in **Exhibit A**.
  - b. Step 2: Determine scope of review using criteria listed in **Exhibit B**.
  - c. Step 3: Apply review standards according to determination made in Step 2. For larger exemption applications, use criteria listed in **Exhibit C**; for smaller exemption applications, use criteria listed in Section D, below.
5. The Review Panel shall submit a written report summarizing their review of each application to the County Administrator. The Panel's report shall specifically address the criteria in **Exhibit C** and Section D, as applicable. The County Administrator shall subsequently report those findings to the Board of Supervisors.
6. The Board of Supervisors' Finance/Government Services Committee will review each application,

as well as the Review Panel's report submitted to the County Administrator.

7. The Board of Supervisors shall hold a public hearing on applications submitted by the April 1<sup>st</sup> filing deadline. Notice of the hearing shall be published at least once in a newspaper of general circulation in the County, with the hearing to be held at least 5 days after publication of notice.
8. Exemptions shall be granted only by ordinance adopted by the Board of Supervisors after holding a public hearing thereon. The ordinance shall state the specific use on which the exemption is based, that continuance of the exemption shall be contingent on the continued use of the property in accordance with the purpose for which the organization is classified or designated; and shall contain such other conditions or restrictions as the Board may deem appropriate.
9. Once granted, an exemption will be effective until the organization no longer qualifies, until the specific use on which the exemption is based ceases, or until revoked by the Board as provided by law, whichever occurs first.
10. Organizations must, at a minimum, provide the following information: Name of organization; date the organization was established; names and addresses of officers, directors, managing members, trustees or partners as applicable; a statement addressing each of the criteria in Section D, below; a statement of the salaries or other compensation, if any, paid to officers and directors of the organization; a statement of the salaries or other compensation, if any, received by the 3 highest-paid employees of the organization; a complete description of the property for which exemption from taxation is sought (including, for real property improvements, the gross square footage available and the square footage of the space used by the applicant organization); and a description of the qualifying use(s).
11. In addition, organizations must provide copies of the organization's (a) Internal Revenue Service determination letter; (b) Articles of Incorporation or Organization, as well as any amendments thereto; (c) By-laws; and (d) Certificate of Good Standing from the State Corporation Commission.
12. All larger exemption applicants (and smaller exemption applicants if requested by the Staff Review Panel, the County Administrator or the Board) shall provide copies of its federal and state tax returns and its financial statements for the two prior years.

#### **Section D. REVIEW CRITERIA**

1. The Board must consider the following criteria:
  - (a) Whether the organization is exempt from taxation pursuant to §501 (c) of the Internal Revenue Code of 1954;
  - (b) Whether a current annual alcoholic beverage license for serving alcoholic beverages has been issued by the Virginia Alcoholic Beverage Control Board to such organization, for use on such property;
  - (c) Whether any director, officer or employee of the organization is paid compensation in excess of a reasonable allowance for salaries or other compensation for personal services actually rendered by such director, officer or employee;
  - (d) Whether any part of the net earnings of such organization inures to the benefit of any individual;
  - (e) Whether any significant portion of the service provided by such organization is generated by funds received from donations, contributions or local, state or federal grants. As used in this subsection, donations shall include the providing of personal services or the contribution of in-kind or other material services;
  - (f) Whether the organization provides services for the common good of the public;

(g) Whether a substantial part of the activities of the organization involves carrying on propaganda, or otherwise attempting to influence legislation and whether the organization participates in, or intervenes in, any political campaign on behalf of any candidate for public office; and

(h) The revenue impact to the County and its taxpayers of exempting the property.

2. The Board should consider the following criteria, facts and circumstances as may be pertinent

(a) Whether the organization is current on all its obligations to the County;

(b) Whether the organization is in compliance with all County ordinances and regulations, including (but not limited to) building, subdivision and zoning ordinances;

(c) Whether the property for which the exemption is sought relates to the purposes for which the organization was created and tends to directly promote those purposes;

(d) Whether the service(s) provided by the organization are services the County would provide if the requesting organization did not do so;

(e) Whether the organization meets a general public need for which the benefits derived by the community at-large are equivalent to or exceed the County's loss in revenue from taxes on the entity's real and personal property;

(f) Whether the service(s) provided by the organization meet an established priority of the Board of Supervisors; and

(g) Any other criteria, facts and circumstances that the Board may deem appropriate and pertinent.

## **Section E. RESTRICTIONS**

1. No exemption will be granted to any organization that has any rule, regulation, policy, or practice that discriminates on the basis of religious conviction, race, color, sex or national origin.
2. No exemption from real property taxation will be granted to any non-profit organization for real property owned by the non-profit organization where the space occupied by a for-profit organization exceeds 10% of the gross square footage available.
3. No exemption from personal property taxation will be granted for vehicles valued at more than \$40,000 (exclusive of buses, trucks, passenger vans and any accessibility equipment) and classified as "luxury", "sports" or "sports utility" vehicles in commonly used automotive industry reference guides, without good cause shown.

## **Section F. TRIENNIAL REVIEW; REVOCATION OF EXEMPTION**

1. With the exception of the United States and the Commonwealth, or any political subdivision thereof, any organization which has been granted exemption from taxation pursuant to Section 58.1-3650 *et seq.* of the Code of Virginia (1950, as amended) shall file an application with the County Administrator every three (3) years as a requirement for retention of the exemption granted.
  - a. Review applications under this paragraph shall be filed with the County Administrator not later than July 1<sup>st</sup> of the year preceding the tax year for which such exemption is sought to be continued.
  - b. Review applications shall include the following information –
    - (1) The ownership of the property;

- (2) The use of the property;
  - (3) Whether the organization has any rule, regulation, policy or practice that discriminates on the basis of religious conviction, race, color, sex or national origin;
  - (4) Whether the organization is current on all its obligations to the County;
  - (5) Whether the organization is in compliance with all County ordinances and regulations, including (but not limited to) building, subdivision and zoning ordinances;
  - (6) Whether the organization has attempted to influence legislation, has participated in, or intervened in, any political campaign on behalf of any candidate for public office;
  - (7) The names and addresses of officers, directors, managing members, trustees or partners, as applicable;
  - (8) A current statement of the salaries or other compensation, if any, paid to officers and directors of the organization;
  - (9) A current statement of the salaries or other compensation, if any, received by the 3 highest-paid employees of the organization
  - (10) A current Certificate of Good Standing from the State Corporation Commission; and
  - (11) If requested by the Staff Review Panel, the County Administrator or the Board, copies of its federal and state tax returns and its financial statements for the preceding year.
- c. The Staff Exemption Review Panel shall conduct an initial evaluation of each review application and any supporting materials using the criteria listed in Section D, above, and shall submit a written report summarizing their evaluation to the County Administrator. The Panel's report shall specifically address the criteria in Section D. The County Administrator will subsequently report those findings to the Board of Supervisors.